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MEMORANDUM FOR: Executive Director

SUBJECT : Funding of NPIC

1. At a recent meeting of the Financial Policy and Budget Committee, the question of future funding of NPIC was discussed. The Committee had before it a memorandum from Mr. Lundahl based to a considerable degree on the findings of a review conducted by a committee, of which [] was the Chairman. Mr. Lundahl's conclusions were substantially to the effect that it would be impractical to look to the Defense Department for a proportionate increase in the numbers of personnel or in the funds which the Defense Department now contributes to the support of NPIC. Substantially, all of the personnel employed in NPIC, with the exception of FI technicians, are supplied by CIA and the Agency pays substantially all of the dollar costs of the institution.

2. There is a split in the Committee as to whether or not the Department of Defense should pay up to one-half of the costs of NPIC and contribute up to one-half of the support personnel. This would amount to a contribution of approximately [] and approximately []

3. I have discussed this matter briefly with Gen. Carter and he has requested that it be scheduled for discussion with the Executive Committee.

JOHN A. BROSS
Comptroller

cc: Mr. Sheldon

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NPIC/D-130-62
30 July 1962

MEMORANDUM FOR: Assistant Deputy Director (Intelligence)

SUBJECT: Comments on Proposal for Joint Funding of
National Photographic Interpretation
Center Budget

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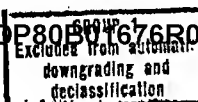
1. The subject of joint budgeting or joint funding of NPIC by CIA on the one hand and DOD as represented by DIA on the other has been under continuous and constant discussion since January of this year when the question was raised by the Bureau of the Budget. The pertinent facts concerning this matter were explored in depth, in March, by a committee consisting of [redacted] representing CIA, [redacted] representing DIA and [redacted] representing NPIC and these facts, along with appropriate discussion, conclusions and recommendations, were set forth in writing during the latter part of March. The staff study was considered by the senior levels of this Agency and DIA and, to the best of my knowledge, its principal conclusions and recommendations were accepted.

2. Frankly, there is little or no new information to be added to the facts which were gathered at that time. It has been and continues to be my view that the Director of Central Intelligence can best be assured of highest quality, timely, continuous, and uninterrupted production from this activity by retaining the maximum management control under the aegis of the Central Intelligence Agency. A diffusion of funding and personnel assignment responsibilities can only serve to magnify our management, control and production problems at a time when we are forced to exert continuously our maximum effort to process the volume and maintain the quality standards required to properly service the intelligence community.

3. We are willing and indeed anxious to have DOD supply the Center with trained photo interpreters and technical personnel. For Fiscal Years 1963 and 1964 we have asked the military services to match the CIA contribution of trained PIs to be assigned to the national production effort and we are always delighted to bring in skilled technical personnel for our development programs. These people, however, are difficult to find and hard to retain. The notion that the Services have carloads of them ready to pour into NPIC is a false one. Many of the best qualified PIs the Services possess are already at work in the Center.

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SUBJECT: Comments on Proposal for Joint Funding of
National Photographic Interpretation
Center Budget

4. In terms of staffing the support services, i.e., mensuration, plotting, editorial, graphics, photographic laboratory, printing, reproduction, etc., we have not encouraged heavy DOD participation. Our success to date, measured both qualitatively and quantitatively, has been due in large measure to the corps of trained, seasoned, highly dedicated support personnel who have worked impossible hours over long periods in order to get the work out and keep the quality up. They feel themselves a very important and permanent part of this vital business and will do whatever is necessary to ensure that its product is the finest. To intersperse among them at all levels rotating military personnel who cannot possibly have the long term interest or dedication to the work that these people have is to invite a general weakening and softening of our capability. Furthermore, as in the case of the PIs, these people are not easy to locate in the military services.

5. Through the staff study, which I mentioned in my first paragraph, and subsequent discussions, we have evolved with DIA an understanding of the type of support I feel we need from them. This pattern of CIA and DIA providing equal numbers of photo interpreters for national work and CIA providing the support services on a common concern basis is the one, which in my judgement, will maximize our efficiency and ability to deliver over the long run and I urge that you and the Financial Policy and Budget Committee support this position.

6. I am aware, of course, of the problems you and the Committee face in trying to fit the many Agency programs into a levelled off or reduced funding package but I must point out that by the same token it becomes increasingly difficult for us in the Center to engage in realistic forward planning and negotiating with DIA when we can get no firm idea of what the CIA commitment and role is to be. While the costs of the Center are rising they are still small in comparison with funds expended for collection or the funds expended by the military in such exploitation operations as FTD, ACIC, AMS, and SAC. The "paper saving" of several millions of dollars on the Agency's budget which could be brought about by adopting a joint funding and staffing concept could prove to be a false economy over the long haul.

ARTHUR C. LUNDAHL

Director

National Photographic Interpretation Center

Enclosures:

Staff Study

Approval & Funding Statistics

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MEMORANDUM FOR: Comptroller, DIA
Acting Comptroller, CIA

SUBJECT : Study Group Report on Joint CIA/DIA
Financial Support to NPIC

Attached herewith is the report of the CIA/DIA/NPIC Study Group on the subject of CIA/DOD financial support to NPIC. It is recommended that this report be approved by appropriate authority of CIA and DIA, and that the recommendations contained therein be accepted as the joint CIA/DOD position on the subject in subsequent discussions with the Bureau of the Budget.

Budget Officer

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Attachment

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A. Problem:

What basis exists for a greater sharing by the DOD of financial responsibility for the National Photographic Interpretation Center?

B. Background:

1. The Deputy Director, Bureau of the Budget, in a letter dated 9 January 1962 to the Director, Central Intelligence, stated, "Although FY 1963 requirements for NPIC are fully funded in your budget, discussions with the Department of Defense should be initiated soon with a view to achieving a greater sharing of financial responsibility in the future."

It is reported that the Bureau of the Budget feels a direct DOD financial contribution to NPIC costs would have the effect of underlining in the Department of Defense and CIA the "National" character of NPIC and thus act as a deterrent to any possible duplication of NPIC activity by other Department of Defense agencies.

2. In a 5 March 1962 meeting of DOD/CIA officials, it was agreed that a study should be prepared as a basis for further discussions of the problem with BOB officials. This is that study.

C. Facts Bearing on the Problem:

1. NSCID #8 (TAB A) states that "A National Photographic Interpretation Center (NPIC) shall be provided as a service of common concern by the Director of Central Intelligence in consultation with the interested members of the USIB" and that "The Intelligence Board departments and agencies engaged in photographic intelligence production shall jointly provide appropriate personnel and other support for the Center, as agreed by them with the Director of Central Intelligence. Such supporting personnel shall be functionally under the direction of the Director, NPIC, for joint activities, but shall remain administratively responsible to their parent organizations."

2. Consistent with paragraph C.1., the Services are each committed to provide and pay for 25 personnel assigned to NPIC. (See letter from General Erskine to the Director, CIA (USIB-D-69.2/3) and subsequent amendment thereof, TAB B.) This force presently is made up of about [] photo interpreters and a small cadre of supervisory and support personnel. Assuming no change in numbers of DOD personnel, estimated costs to DOD in furnishing these personnel for FY 1963 are []

* Schedule of Military Reimbursement used in preparation of CIA FY 1963 Estimate [] officers or civilians in Grade []

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C. Facts Bearing on the Problem: (Cont'd)



7. Support activities of the Center, e.g., publications, graphics, photo laboratory, printing, logistics, etc. are staffed and funded by CIA as "a service of common concern" in agreement with the Services.

8. The R&D activities of the Center are jointly staffed with the Services presently providing ☐ of the technical personnel in these activities.

9. The Center's substantive production as reflected in photo interpretation reports is organized for joint participation.

(a) All requirements are reviewed by and priorities for exploitation are established by an Advisory Committee with senior representation from all "Intelligence Board departments and agencies engaged in photographic intelligence production...."

(b) The photo interpretation work of the Center is undertaken on a team basis for each project (CIA and Service photo interpreters), and the completed studies are published under the four seals of the contributing departments.

10. From 1 August 1961 to the present, the photo interpretation effort of the Center as expressed in photo interpreter working time on joint projects is: Army 36%, CIA 29%, AF 20%, Navy 15%. (Note: This breakdown does not reflect the essential and related support activities provided by CIA, e.g., technical mensuration, collateral

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C. Facts Bearing on the Problem: (Cont'd)

intelligence, etc. without which the FI activity could not take place.)

11. Looking to the future considerable augmentation of CIA photo interpretation personnel is planned, but there is currently no corresponding plan for additional DOD photo interpretation personnel.

D. Discussion:

1. The foregoing facts point up the joint operating posture that NPIC has assumed since its inception. They further highlight that DOD is a fully active participant in the Center. However, there is not now in operation any system for proportionate distribution of NPIC costs between CIA and DOD. On the other hand, there is no indication in NSCID #8 that a division of costs was contemplated or expected except those resulting from the supply of personnel by DOD to NPIC and such other "support for the Center as agreed...."

2. Several approaches have been considered by the study group in seeking a rational cost distribution in which DOD could assume a greater share of financial responsibility for NPIC.

(a) An examination of costs of NPIC by object was made in an effort to determine whether there existed any allocation of responsibility to contributors which would logically permit an assignment of budget responsibility by object class cost. It was determined that object class per se did not lend itself to a formula for determining distribution shares of NPIC cost.

(b) A review of the requirements levied on the Center by consumers was considered as a possible yardstick for division of costs. This approach was rejected on several grounds, the principal one being that requirements vary across time as to numbers and quantity and quality of work involved. Also, the element of mutual interest in a given requirement is not divisible.

(c) A review of departmental support (a secondary function of the Center) was made to ascertain whether such support would provide some meaningful basis for allocating the expenses of the Center, CIA vis-a-vis DOD. The lack of a sophisticated cost analysis system alone makes it impossible to adopt this approach without delving into the other problems inherent in such an attempt.

3. Under present concepts (C.1. above) a greater sharing by DOD of financial responsibilities for the NPIC could be accomplished

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D. Discussion: (Cont'd)

indirectly by increasing the percentage of personnel from DOD payrolls. It is assumed that DOD will continue to provide a substantial number of photo interpretation and a few key technical personnel to the Center and that the actual number may be adjusted upward if requirements so dictate.

Since the more significant portion of the NPIC OI cost is involved in support personnel rather than photo interpreters, an examination was made of the possibility of an increase in DOD contribution in the staffing of support activities. It was determined that in a few support activities DOD paid personnel could be absorbed in small numbers by NPIC, e.g., key supervisory positions, or Graphics Section of the Publications Division, etc. However, as a general matter, the mixing of DOD payroll personnel with CIA payroll personnel in support areas of NPIC would create serious management problems and impair the efficiency of operation that results where support personnel are provided from a single payroll source. On review of the factors involved in this approach, the study group concluded that the current organizational concepts (paragraph C.7. above) calling for support personnel to be provided primarily from CIA payrolls should be continued. The management of NPIC believes that CIA can provide the necessary support personnel. However, the door should be left open for augmentation by DOD, not as a method of splitting the funding but as a method of obtaining qualified personnel should CIA sources not be able to provide them.

4. The study group reviewed the feasibility of applying an across-the-board percentage approach to the division of NPIC costs. Several related considerations bearing on this approach presented themselves as important items for comment in subsequent discussions with the BOB.

(a) The nature of the photographic intelligence material being received in the Intelligence Community dictates multiple exploitation for a variety of purposes. These involve numerous approaches by such organizations as ACIC, AMS, SAC, FTD, and NPIC. Considerable direct benefits accrue to all members of USIB from each of these efforts. Likewise, there are also many indirect benefits derived from the over-all and varied approaches to the source, specifically in R&D, equipment development, etc. It is suggested that the totality of exploitation by all organizations tends to offset and balance any contribution by one single organization. Looking at the problems posed in this paper, from this over-all context, NPIC represents but a small part of the Intelligence Community total investment in organizations exploiting the source data. (This does not take into account collection costs.) The greater portion of over-all exploitation cost is provided by the Department of Defense.

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D. Discussion: (Cont'd)

(b) The DIA charter assigns clear responsibility to DIA to plan, coordinate, and manage Department of Defense intelligence activities so as to achieve efficiency and economy. The Bureau of the Budget proposal for joint budgeting for NPIC neither aids nor restricts the fulfillment of the aforementioned DIA responsibility.

(c) There exists precedent in the Intelligence Community for joint Center operations without budgetary division, e.g., [redacted], National Indications Center, Coordination Staff of the DCI, etc. While it is recognized these functions are not in the size or the magnitude of NPIC, the principle governing this community relationship maintains a precedent for the current practices at NPIC. Also, there exists precedence for a single Agency providing the total funding for a "service of common concern" (i.e., NSCID 2 paragraphs 7, 8, and 9 governing CIA/DIH/Office of Operations).

6. Assuming a decision is made, nevertheless, to apportion costs between CIA-DOD on some arbitrary basis such as a 50-50 split, the study group found no serious administrative problems in joint budgeting or in security thereof. It is felt that a budget can be developed within NPIC satisfactory to both CIA and DOD. However, ground rules for the administration of the funds would need to be defined and worked out jointly. Under present organizational arrangements, the Deputy Director of NPIC is also the principal DIA representative to the Center and as such could be fully involved in both the formulation and execution of the NPIC programs and budgets. It is noted that in meetings referenced B.2. above, it was agreed by CIA/DIA representatives that under whatever arrangement evolved NPIC would continue to be administered by CIA through the Director, NPIC, with DOD providing its share as a reimbursement and/or advance to CIA.

7. As regards hearings before the Appropriations Committee, that portion of NPIC costs contained in the DOD budget would be handled on a classified basis, and any required elaboration and/or further justification for the NPIC item can be handled, as appropriate, by the Comptroller, DIA, with members of the Appropriations Committee who now review the CIA budget.

E. Conclusions:

1. That NPIC is substantively operating as a "National" Center with full DOD participation in compliance with the intent and method prescribed in NSCID #8.

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E. Conclusions: (Cont'd)

2. That no accurate method exists for determining a fair division of costs for NPIC between or among the participants at the Center.
3. That there appear to be no advantages which accrue to the substantive joint operations of NPIC by increasing the DOD share of cost responsibility for NPIC.
4. That limited increases in the DOD contribution can be made by the assignment of additional DOD paid personnel in the PI and technical fields. Substantial increases can only be achieved by adopting a total joint staffing concept for all activities of the Center and this approach has significant offsetting disadvantages.
5. That an arbitrary division of total cost on a 50-50 basis can be undertaken without any hampering administrative, budgetary, or security factors.

F. Recommendations:

1. That there be no change in current budgeting policy for the NPIC.
2. That CIA continue to provide the bulk of the personnel for the support activities.
3. That additional sharing by DOD of NPIC costs be provided indirectly as required primarily in the form of additional personnel for substantive activities.

Date

Central Intelligence Agency

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Date

National Photographic Interpretation Center

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Date

Colonel, Corps of Engineers
(representing DIA)

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